

# MINUTES OF GREATER ROANOKE TRANSIT COMPANY AUDIT COMMITTEE

December 20, 2004

## 1. CALL TO ORDER:

The meeting of the Greater Roanoke Transit Company Audit Committee was called to order at 1:04 p.m. on Monday, December 20, 2004, with Chair, Dr. M. Rupert Cutler, presiding.

- The roll was called by Mrs. England

### Audit Committee

**Members Present:** Dr. M. Rupert Cutler, Chair  
Vice-Mayor Beverly T. Fitzpatrick, Jr.  
Alfred T. Dowe, Jr.  
Sherman P. Lea  
Brenda L. McDaniel

**Others Present:** Drew Harmon, Municipal Auditor  
Darlene L. Burcham, City Manager  
William M. Hackworth, City Attorney  
Jesse A. Hall, Director of Finance  
Ann Shawver, Deputy Director of Finance  
George C. Snead, Jr., Asst. City Manager for Operations  
Rolanda B. Russell, Asst. City Manager for Community Development  
David Morgan, General Manager, GRTC  
R. Timothy Conner, Partner, KPMG LLP  
Peter J. Ragone, II, Senior Manager, KPMG LLP  
Major James Brubaker, Sheriff's Department  
Mike Tuck, Assistant Municipal Auditor  
Pamela Mosdell, Information Systems Auditor  
Brian Garber, Senior Auditor  
Cheryl Ramsey, Auditor  
Doris England, Administrative Assistant

## 2. EXTERNAL AUDIT REPORTS:

### KPMG Audit Reports:

- A. GRTC – Transit Operations Financial Statements – 6/30/04 and 2003
- B. GRTC – Report to Board of Directors – 6/30/04
- C. Southwestern Virginia Transit Management Company, Inc. Retirement Plan and Trust Financial Statements
  - 12/31/03 and 2002
  - 12/31/02 and 2001
  - 10/15/01 and 12/31/00

Dr. Cutler asked Mr. Morgan to explain why there were three years of Retirement Plan and Trust Financial statements on the agenda. Mr. Morgan responded that the retirement plan was changed a few years ago from a post-tax plan to a pre-tax plan and doing so delayed the audit process. This audit is catching up for that delay. Dr. Cutler also asked why there appeared to be two years of financial statements being reported, and Mr. Ragone responded the pension plan is a calendar year plan.

Dr. Cutler asked for clarification of a report in the Management's Discussion and Analysis of the Basic Financial Statement, which indicated there was an impairment loss of \$209,000 for revenue collection equipment. Mr. Harmon said he believed this loss was due to the fare collection equipment not performing as expected causing GRTC to write off that loss. Mr. Morgan explained that the company the equipment had been purchased from had gone bankrupt and was no longer in business. Therefore, GRTC was unable to obtain parts to maintain the equipment.

Chairman Cutler asked Mr. Morgan about the Gillig buses – where they were made and if they were bio-diesel capable. Mr. Morgan responded the buses were made in Hayward, California, and were not bio-diesel capable. At this time, bio-diesel buses are not available to the transit industry. Dr. Cutler expressed concern that the bus stock of the GRTC should be efficient and meet upcoming restrictions on effects regarding ozone. Mr. Morgan said the EPA standards for diesel engines are becoming more stringent, and GRTC now meets the 2007 requirements. The next level of requirement beyond that is having buses that are bio-diesel capable. The GRTC is working with a local environmental group to increase fuel mileage and reduce emissions.

Chairman Cutler ordered that the KPMG audit reports be received and filed. There was no objection to the order. Dr. Cutler recognized Mr. Harmon for comments. Mr. Harmon introduced Mr. Conner and Mr. Ragone from KPMG for comments. Mr. Conner briefed the committee and stated the reports were unqualified opinions. There were no further questions or comments from the committee.

Dr. Cutler stated he understood GRTC to be made up of three firms, and he would like better clarification on the entity. Mr. Harmon explained that GRTC is a blended component unit that receives part of its revenue from grants. The City Council is the Board of Directors for the GRTC, First Transit is the management company that provides the positions held by Dave Morgan and Chip Holdren, and the Retirement Trust is a separate entity which holds the funds in trust for those in the retirement plan. Chairman Cutler asked if there were other similar systems to compare this to, and Mr. Harmon said there were no others within the City, although the Schools are a discrete component unit.

Mr. Fitzpatrick said he understood transit companies across the state were set up similar to the GRTC in Roanoke. This is because most transit companies were originally private and their drivers and mechanics were union members. Because of that, the City cannot represent or negotiate as part of a unionized entity. Therefore, the management company is needed as a neutral body for this purpose.

Dr. Cutler asked about the status of the trolley study for the City and how GRTC was in a position to have the study conducted. Ms. Burcham stated the consultant who prepared that study was scheduled to attend Council's first meeting in January. Funding for the study was secured through GRTC and matching components in grants. If Council chooses to go to the next phase of the process, the City would make application through GRTC as the transportation entity for the City. Council had expressed interest in having the trolley study conducted and requested GRTC to initiate the study some months, perhaps even a year, ago.

**3. UNFINISHED BUSINESS:**

There was no unfinished business to come before the Committee.

**4. NEW BUSINESS:**

There was no new business to come before the Committee.

**5. ADJOURNMENT:**

There being no further business, the meeting was adjourned at 1:15 p.m.

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M. Rupert Cutler, Chair